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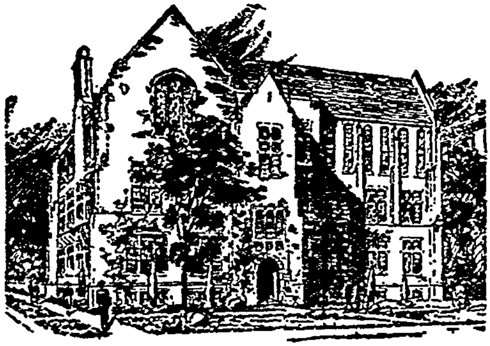

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U. S. SUPREME COURT RULE OF VALUATION AS APPLIED TO CORPORATE REORGANIZATION

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FINDING of value may be necessary for a number of purposes. It may be desired to find value for taxation, for condemnation, for inclusion in a balance sheet, for a basis for depreciation, for utility rate-making, for bargaining, for determining the upet price in liquidations or for reorganization. Methods for finding value in the past tended to vary with the purpose for which the opinion of value was to be used. There has been a more recent tendency toward a standardization of method due to comparing the opinion of value found by one method with opinions of value resulting from the use of other methods. This is not a discussion of the merits of various methods of evaluation. Only valuation for reorganization will be discussed though the method may have other applications.

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In reorganization cases it is assumed that the subject business is to continue in operation. It thus is necessary to determine the value of the assets as a part of a going business. The basic question in a valuation for reorganization purposes is how much the enterprise in all probability can earn.[1]

The Federal district courts have not always agreed as to the method by which value is to be found for reorganization. Certain decisions were based on original cost less depreciation, others were based on reproductive cost less depreciation. Some asserted that past earnings should be considered. Sec. 77(e) of the Bankruptcy statute says in part "the value of any property used in railroad operation shall be determined on a basis which will give due consideration to the earning power of the property past, present and prospective, and all other relevant facts. In determining such value only such effect shall be given to the present cost of reproduction new and less depreciation and original cost of the property and the actual investment therein as may be required by the law of the land, in the light of its earning power and all other relevant facts."

The U. S. Supreme Court in the case of *Consolidated Rock Products Co.* v. *Du Bois*[2] cleared up much of the uncertainty as to method by stating that the "criterion of earning capacity is the essential one if the enterprise is to be free from the heavy hand of past errors, miscalculations, or disaster." This same decision stated that value for reorganization depends on two factors: (1) the reasonably prospective earnings and (2) the rate of capitalization.

The U. S. Supreme Court decision in the case of *Consolidated Rock Products Co.* v. *Du Bois* did not state how these two factors were to be determined. The Securities and Exchange Commission has done much to crystalize opinion as to the method to be employed in determining value in its releases dealing with reorganization and simplification and by statements of staff members in hearings dealing with valuation for reorganization.

The Method Employed

Finding of value in reorganization, as has been stated earlier in this discussion, is the result of two factors, namely, the reasonably prospective earnings and the rate of capitalization. In cases where value is being found for a business having a finite life such as a real estate enterprise a third factor, which is really a refinement or limitation of the reasonably prospective earnings, must be given consideration. This is the determination of the remaining useful life of the enterprise. The

[1] Group of Institutional Investors v. C. M. St. P. & P. RR. Co., Commerce Clearing House Bankruptcy Law Service at page 55294.
[2] 312 U.S. 510, 85 L.Ed. 982, 61 S. Ct. 675 (1940).

remaining useful life is the span of years in which it can be reasonably demonstrated that the cash income of the enterprise will exceed the cash required to operate the enterprise.

This discussion will deal with a real estate organization since the elements to be dealt with are more static. Each of the two major factors, namely, reasonably prospective earnings and the rate of capitalization together with the further restrictive factor, remaining economic life, will be separately discussed.

Remaining Economic Life

The remaining economic life of a real estate enterprise cannot exceed the remaining depreciable life of the structure. If the structure is now fifteen years old and good engineering practice would allow a total depreciable life of fifty years to a structure of this type, the remaining depreciable life would now be thirty-five years. This, of course, assumes that no new capital will be contributed to the enterprise to rebuild or materially extend the depreciable life of the structure. The approach to this problem must be as realistic as possible and unless funds are to be made immediately available an assumption that the owners of the enterprise *may* make the further contribution at a later date is unwarranted.

It may be well to explain at this point a basic difference between a real estate enterprise and an industrial enterprise. The value of a real estate enterprise arises from the earnings which can be derived from the use of the land and from the structure in place. The excess of cash income over cash outlay is the return of capital and return on investment. Even though a portion of this excess is to be set aside to rebuild the structure when it is worn out that amount must be regarded as a contribution to a new enterprise since there is not now any assurance or indication that an identical building costing identically the same as the present building would be warranted at that time or that a satisfactory return could be earned on the investment. To attempt to prognosticate the character and type of a structure which would be acceptable and to estimate the cost of such a structure many years hence and to estimate what the income and expense would then be requires occult powers which few people can claim.

In an industrial enterprise there is no limit upon the remaining life. There are some experts who assert that an industrial enterprise does have a finite life based upon the business longevity of the individuals who now control its destinies. The opinion is not generally accepted since there is much merit to the contention that management equal to the present management is available through training of younger men or can be obtained.

In industrial operations it is necessary that the plant and equipment be maintained at a certain level of efficiency. Repairs and replacements are made as needed and new equipment must be added as improvements are made in the art of manufacture. Thus the plant is kept continually in a good state of repair and the life of the industrial company may reasonably be regarded as unlimited.

The economic or useful life of a particular structure is not dependent upon the character and type of the improvement alone. The age of competitive buildings in the area and their operating condition also affects the economic life of a building which is being studied. It must be learned if the area is stable, if it is improving or if the tendency is away from the neighborhood. American cities are more or less fluid in their growth. The movement oftentimes is so pronounced that even the business district in spite of large investments in commercial and office buildings tends to shift. Shifting and movement in the building into new sections often result in areas of blight where values have greatly diminished. There are few of our larger American cities which have not experienced this tendency. In Milwaukee the center of the business district once was located between Broadway and Milwaukee on Wisconsin Avenue with a definite trend to move north and south. The growth of the city to the west caused the business district to move west on Wisconsin Avenue until today the center of the business district is at North Third Street and West Wisconsin Avenue. This westward growth might have continued had it not been that the growth of residential districts to the north and south has created a counter influence, the effect of which has been to anchor indefinitely the business center at about the present location. During the five years from 1936 to 1940 nearly 55% of all new building construction took place in Milwaukee County beyond the city limits.[3]

It is necessary to learn the rentals being paid for like space in other buildings, the length of time such rentals have prevailed and the type of tenancy. It is necessary also to study the history of the area in which the building is located and other districts to determine the possibility of a shift in rental preference. The income possibilities of the city must also be studied to determine the permanence of local industries. In the case of properties having store space for rent the character of public transportation must be studied. Today when so many transportation companies are removing street car tracks and operating trackless trolleys it is easier to shift from one street to another and this possibility must not be overlooked. A careful consideration of all of these factors will permit an opinion to be formed as to the relationship of the remaining income producing years or useful life which

[3] Proposals for Downtown Milwaukee of the Urban Land Institute at page 21.

may reasonably be expected from the property to the remaining depreciable life. This opinion may not necessarily prevail since the effect of experience trends on the reasonably prospective earnings of the subject property may somewhat alter it.

The Reasonably Prospective Earnings

The determination of the reasonably prospective earnings of an enterprise is possibly one of the most controversial subjects to be considered in a reorganization proceeding. The Securities and Exchange Commission has contributed largely to the development of a method for considering this subject in utility and industrial reorganization as has also the Interstate Commerce Commission in railroad reorganizations though the approach of these two commissions is not necessarily the same. Mr. Hiram L. Jome in an article "The New Schoolmaster In Finance"[4] says "Time and again the Schoolmaster (the S.E.C.) has had to call attention to the distinction between reasonably prospective earnings and hoped for earnings." The desire of one group seeking to establish an equity may well be to assert a high rate of future earning power. A mortgage group, on the other hand, may well assert that the rate of future earnings is low and that the resulting value of the property for reorganization forecloses equity groups from participation in the benefits of reorganization.

The first step in the determination of the reasonably prospective earnings should be a careful and detailed analysis of past operating results. Such a study and analysis is necessary in order to establish the causes for the present financial difficulties of the subject company. The causes may be many but if the operation is carefully analyzed and compared with successful companies in the same field these causes will become evident. The effect of these causes upon past earnings having been reasonably well established, the past operating results may be adjusted to give effect to their elimination.

The Securities and Exchange Commission has said "A debtor's record of earnings, adjusted or weighted to give account to unusual conditions and reasonably foreseeable changes, provides a guide to a determination of earnings reasonably to be anticipated in the future."[5]

Recent earnings are likely to be the best indication of what the future earnings may reasonably be expected to be since many of the same factors affecting present earnings may be anticipated in the future. The earnings should be reviewed for a sufficient period, however, to show the effect of certain trends. The period should be of sufficient duration, also, to reflect the full cyclical effect on earnings.

[4] Michigan Law Review, March 1942 Vol. 40 No. 5 at page 632.

[5] S. E. C. Corporate Reorganization release No. 22 in the Matter of Flour Mills of American, Inc., at page 8.

Care must be taken to adjust past earnings for conditions then existent which are no longer present or which have been nullified in part in their effect on present earnings. The existence of current high earnings may be noted but should be tempered in the light of past experience and present long term trends. In discussing present high earnings the U.S. Supreme Court in *Ecker* v. *Western Pacific Railroad Corp.* said, "There are factors in these increased incomes which obviously affect their weight as evidence of continued capacity to produce earnings."[6] A war even of the proportions of the present conflict is not a permanent state. By the same token the depression of 1929-1933 was not found to be a permanent condition. Since value depends upon the prospective earnings to be realized over the remaining economic life of the property, the evaluator is justified in establishing an average prospective earning which may recognize the presence of a high rate of earnings at present but does not overlook the low earnings which may have existed in the past. The effect given to the earning's fluctuations depends to a considerable extent upon the experience of the evaluator.

Once the present earnings have been adjusted to eliminate past conditions which are no longer present and for new conditions which are now evident the evaluator is ready to project these earnings over the remaining economic life of the property. The projection is not a matter of crystal gazing but merely applies to the adjusted present actual earnings, certain income and expense trends which have operated with other similar properties in the experience of the evaluator.

Studies made of large numbers of commercial, office, apartment, apartment hotel, transient and residential hotel and other income producing properties show that each group has experience trends which are typical of that group. The length of time required for earnings to reach their maximum after completion varies with each group. The economic life of buildings in each group varies not only with the type of structure but with the city and area in a city in which it may be located. The rate of decline for a building from peak income and earnings to the point at which it can no longer be operated profitably may vary with each group. The percentage of occupancy will vary with groups and cities and areas depending upon the competition. Histories of other properties serve as a guide to establishing the experience curve of income for specific properties but must be modified by conditions specifically affecting the subject property.

Careful and detailed analysis of the costs of operation must be prepared. Certain operating costs will increase with the age of the building, others will decrease with the age of the building and still

[6] C. C. H. Bankruptcy Law Service Report No. 131 at page, 55, 286.

others may be little affected by the passage of time. As the building becomes older the cost of repairs is certain in increase. Other items such as real estate taxes are likely to decrease unless there is sufficient showing that the land may improve in value to the extent that depreciation of the building may be offset. It is difficult to forecast an increased land value at the end of the economic life of the building since it is difficult to anticipate the level of general business at that time. If an increase in land value were to be of sufficient magnitude it might well shorten the remaining economic life of the structure as it would cease to be able to produce an income consistent with the earning value of the land when properly improved and hence the existing structure would be removed and an adequate structure put in its place.

The cost of water and electricity varies with occupancy and would be affected only to the extent that occupancy is affected by increasing age of the structure. Similarly, the janitors' wages would not be expected to vary with the age of the building since it is necessary that janitor service be supplied so long as the building is tenanted. The cost of decorating and rehabilitation of the building and equipment are likely to vary with income since adequate outlays cannot be maintained in the face of declining earnings, though failure to do so will accelerate the rate of decline of income.

The projection of earnings, as has been previously stated, cannot contemplate the remodeling of the premises through the contribution of new capital unless provision is made as part of the plan of reorganization. Otherwise it would be difficult to give it much consideration since conditions in the future may be such that the possible income after making the expenditure would not warrant the further investment. Likewise the projection cannot delve into the realm of crystal gazing to reflect a use for the property in the future different from its present use.

To summarize, the projected or reasonably foreseeable earnings are the present earnings adjusted for past conditions no longer existent and for future conditions which are now evident and known including the application of adjusted experience curves of income and the various items of operating expense.

The Rate of Capitalization

The nomenclature which has developed in the field of evaluation has produced certain ambiguities in terms. This has resulted from the use of similar terms being applied without regard for the type of property involved. The earnings of an industrial company after reasonable provision for the replacement of machinery, equipment and buildings through reserves for such depreciation may well be anticipated in perpetuity. At least, there is now no reasonable method for establishing a definite life even though it may be known that some types of manufacture have completely disappeared with the passage of time. With industrial companies then there is no better method of finding value than to capitalize the anticipated earnings on a straight line. The anticipated annual earnings would be divided by a rate of interest which would represent a fair payment for the risk of investment. To turn this around, the value would be an amount of money which a purchaser would be willing to pay in order to receive the anticipated earnings each year, having in mind the risk attendant upon his investment. The situation is somewhat different with real estate enterprises as will be developed later in this discussion.

If there were no risk involved with an investment, the investor would be entitled to no return for making his investment. Should he lock his money in a safe deposit vault he could collect from no one for leaving it there since it would have served no useful purpose. By the same token if he were to loan it to a business enterprise which dared not risk the funds so loaned in the business through fear of loss the money would likewise be unproductive.

The only place where funds may be loaned today with absolute certainty of the return of the principal is to the Government. If the Government fails money itself has no value. The promise of our Government to pay is unquestioned.

Interest on Government bonds and notes is not a compensation to the investor for risk of investment but is a payment for the use of money as a commodity. A glance at the interest return on short term Treasury notes shows the low use value of money as a commodity. The rate of interest paid on longer term Government bonds or bonds of a Government agency and guaranteed as to payment by the Government is likewise not a payment for risk but is a payment or rental for the use of money for a longer period of time but still with the absolute assurance that the amount of the loan will be repaid when due. The higher rate of interest is merely a compensation for allowing the Government the use of the money for a longer period of time rather than to have it immediately available for use. The longer the period for which it is loaned the greater will have been the opportunity of the investor to use it for other purposes and hence the Government must pay more for this postponement of use by the investor. The greater the opportunities are for the investor to use his money the more the Government must pay to obtain the use of such funds. The obligation of the Government can be converted to the use of the investor readily since other investors are willing to buy the Government's obligations for their unexpired terms.

There are other forms of investment which are regarded as virtually without risk. These include first mortgages of the type purchased by life insurance companies and certain of the highest grade industrial or utility bonds. There is little question here as to the return of the principal or the payment of interest when due. The investor requires a higher payment for the use of his money from this type of borrower than he does from the Government since to convert his investment to his own use it is necessary that he find another investor who has funds with which to acquire this obligation and who is willing to make an investment in that particular property or company.

Other opportunities for investment are offered where, in addition to the reduced liquidity of the investment, there is some degree of doubt as to the eventual return of the principal or continued payment for the use of funds. This risk is attendant upon most investment in industrial or real estate enterprises. The projection of earnings has attempted to deal as realistically as possible with the risk of income being realized and every known factor has been discounted. However, it is known that in the past there have been unexpected and unforeseen developments which have affected earnings of the subject company and most other companies. Likewise it is known that some of the unexpected and unforeseen developments have had such an adverse effect upon the business and income of companies that they have been unable to survive thus resulting in substantial loss of the principal invested.

Since the investor is aware that there may be these unknown hazards, he requires a payment for the use of his money which he believes will return his investment before any dire eventuality will eliminate the company or unduly affect its earnings. If no such consequences befall the company he will have had more than an ample return for the mere use of the money. The investor should appraise the industry in which it is proposed he shall make the investment to see the trend of earnings and to survey the extent of industrial mortality in that field. He should then examine the particular company to determine as best he can the further risk that may attend investment in that particular company. In the case of real estate enterprises he should study the risk attendant upon investment in a particular type of building located in the particular city and area in which the building is located and the further risk to investment in the subject building. The evaluator likewise has to make the same study since the rate used must be presumed to be one which will be sufficient to attract new capital to the enterprise rather than to compensate partially capital which may already be invested.

It is unlikely that any two evaluators will agree exactly on a rate to be used since the weight they give various risk factors will vary according to individual experience. On the other hand if each has used the same degree of care in preparing the projection of future income and expense and in determining the remaining useful life it is likely that neither will be able to say that the rate used by the other is unfair. The Securities and Exchange Commission in various of its reorganization division releases has advocated varying rates or ranges of rates depending upon the individual subject company; hence, it is not possible to select any particular range of rates as being advocated by that commission.

Inasmuch as it is the present value of the debtor's assets which is being ascertained, the value may vary according to current risk rates at the time the study on value is prepared. At present when current interest rates are low in relation to those of a few years ago the rate applied in a finding of value would be expected to be low in comparison with an acceptable rate for a study made in 1934.

The Opinion of Value

Once the two principal factors forming the basis for an opinion of the going value of the subject company has been determined the opinion of value results from the application of mathematical processes.

The going value of an enterprise includes all the elements which are required to produce the anticipated earnings. Thus the opinion of value includes the value of the land, buildings, machinery and equipment, working capital, processes, patents and other necessary assets. The analysis of the operation and financial condition will have disclosed what assets are necessary to the conduct of the business. If the amount of cash on hand, for instance, should exceed the amount normally required in the operation of the business, the excess above the actual requirement could be removed from the business without distorting or affecting earning power. This excess then becomes an added element of value which would be added to the going value of the business since it could be removed by the owner. Should the cash on hand be less than the amount which would reasonably be required a reduction in the going value to the extent of the deficit would be warranted since a reduced scale of operation might result or the going value might have to be encumbered in order to obtain the necessary cash.

Once these elements become known the opinion of value for an industrial enterprise results from a fairly simple mathematical computation. The anticipated annual earning is divided by the risk rate and the result of that computation when added to by the value of assets owned which are not required to produce the anticipated earnings or reduced by the value of assets which must be contributed to produce the anticipated earnings, may reasonably be asserted as the value of the subject company.

The computation in the case of a determination of the value of a real estate enterprise is somewhat more complex although the principles used are much the same. The real estate enterprise may anticipate earning for only a limited period of years. Also the anticipated earnings have been adjusted for experience trends and thus they will vary from relatively high earnings in the earlier years to zero at the end of the economic life of the building. The present value would thus be obtainable by discounting the total anticipated earnings in the amounts and at the time they are anticipated to the present time at the rate of interest which the evaluator believes to be adequate for the degree of risk involved. Since the experience curves of income and expense when applied to the present adjusted earnings will vary the anticipated return from year to year it is logical then to discount the adjusted earnings for each year of remaining economic life to the present time. The total of these adjusted earnings for each of the remaining years of economic life would appear to be a reasonable opinion of the value of the income producing assets if there is an adequate amount of working capital presently included in the assets.

There are other items which must be valued. At present the land has no independent value since its continued use is required to produce the anticipated earnings. At the expiration of the economic life of the structure, however, the land will again be available for use when the present structure is removed. It is thus necessary to form an opinion as to the value of the parcel of land at that time in the future when the building has outworn its present use. To continue to be realistic, the best indication of the future value of the land is the value today of a parcel of unimproved land in the same location, of same size, and adaptable to the same use as this parcel. The current market value might be adjusted in the light of presently foreseeable trends which might make a similar parcel of vacant land more or less valuable at the end of the useful life of the present structure. Now, having established a reasonable future value for this parcel of land when the present improvement is or should be removed the present value of this reversionary interest in the land would reasonably appear to be the reasonable future value discounted to the present time at a rate of discount equal to the interest return which an owner of land would be willing to accept as rent for the use of land. This might reasonably be asserted at the present time to be from four and one-half per cent to five per cent. Many existing leases of land have been made in which the annual rental for the land has been computed at five per cent of the land value at the time the lease was made. Some more recent leases have been made providing for rentals computed as four and one-half per cent of the land value at the date the leases were made.

If the subject property is a hotel or furnished apartment building there would also be a reversionary interest in the value of the furnishings at the time the building ceased to warrant further operation. It may be assumed that the equipment will be maintained in at least its present operating condition and hence the realizable value today would be a reasonable opinion of its future value. That value when discounted to the present at a rate of interest consistent with the risk involved in the rental of furniture would be the value of the reversionary interest in the furnishings.

There is a possibility that there may be some salvage which can be obtained from the sale of the building when it is torn down. This is not ordinarily a likely possibility since in recent years the cost of wrecking has generally exceeded the sales price of salvaged material. If it can be reasonably demonstrated that there will be some salvage that amount when discounted to the present at a fair rate of interest will add to the total value of the enterprise.

Thus the going value of the real estate enterprise may be stated to be the total of the discounted anticipated earnings plus the reversionary interest in the land, the furnishings and fixtures (if any) and the discounted amount of the possible salvage. This total would be added to by an excess of assets over those required to produce the anticipated earnings or deducted from by the value or cost of assets which would be required to be obtained.

It should be observed that determination of value by its very nature cannot be an exact science. It is impossible to assert that a particular enterprise is worth exactly a stated number of dollars and no more or less. It can be appreciated that two equally informed experts could attach varying values or importance to the different factors affecting value. Each would be correct in the light of his own experiences. Generally speaking, the resulting opinions would not be expected to vary widely and a court or interested party would be warranted in believing that the exact value would be within the range of values arrived at by experts all of whom had used this method.

It is as nearly a scientific approach to the determination of value as has been offered and has the advantage of a logical presentation and consideration of the elements of value. "It entails a prediction of future events. Hence, an estimate as distinguished from mathematical certitude, is all that can be made."[7]

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[7] Report 131 Bankruptcy Law Service Commerce Clearing House at page 54, 263 re U.S. Supreme Court Decision in Group Of Institutional Investors v. C. M. St. P. & P. R. R. Co.

THE FUNCTION OF THE VALUATION EXPERT IN REORGANIZATION

The principle of absolute priority has recently been restated in the U.S. Supreme Court case of *Case* v. *Los Angeles Lumber Products Co.*[8] The absolute priority rule had earlier been stated in the U. S. Supreme Court decision in *Northern Pacific R. R.* v. *Boyd*[9] but so many reorganizations later followed the rule of relative priority that it became necessary to clarify and state definitely the rule to be followed in reorganizations. According to the rule of absolute priority, regardless of whether a company is found to be solvent or insolvent, holders of prior claims are to be paid in full for their claims including accrued and unpaid interest either in new securities or in assets or other valuable consideration before anything can be given to security holders of an inferior class. The securities issued under a plan of reorganization need not be of the same grade as were previously held but regardless of the grade they must be equal in value to the full claim of the creditor before junior groups are entitled to any share. This holder of a senior claim is entitled to compensation also for any "step-down" in the position of the security he receives in a reorganization before any consideration can be given to the claims of junior groups of creditors.

It is, therefore, important that a class of creditors be reasonably certain of their right to participate in the ultimate benefits of a plan of reorganization before undertaking a program of action which may involve a considerable outlay of time and expense. The evaluator should therefore be directed to make a preliminary survey and to express a tentative opinion to the creditor group by whom he may be employed.

Once the decision is made to enter the proceedings the evaluator should undertake the formal and detailed study of the elements of value in order to be prepared to testify as to his opinion of value at hearings on value. It is necessary also that the value of the debtor's assets be determined as a step in the preparation of a plan of reorganization. Without a formal finding of value it is difficult to determine the extent to which various groups may be entitled to participate or the manner of their participation. There are instances where an agreement can be obtained that the value of the debtor's assests is so much below the claim of a first mortgage that no exact value need be found since no assertion of a right of participation will be asserted by creditors junior to the first mortgage, but these instances are likely to be rather rare. Even in these cases, while no formal finding of value may be found by the court an appraisal study is desirable as a means to determining the feasibility of a plan unless that plan calls for distribution of common stock, to one class of creditors only.

[8] 308 U.S. 106, 60 S.Ct. 1 (1939).
[9] 228 U.S. 482.

The opinion of the evaluator is necessary also in a hearing on solvency. He should be competent to state what assets are necessary to produce the anticipated earnings of the enterprise and the amount of the excess assets or the extent of the deficiency in assets. His opinion as to the value to be assigned to certain of the excess assets is valuable.

When the proposed plan or plans are submitted for consideration the evaluator should again be consulted as to the feasibility of the proposed plan or plans in the light of the anticipated earnings of the reorganized debtor. He should be in position to show the effect of the provisions of various plans as to the distribution of earnings and the availability of earnings for the various classes of securities proposed. If the plans contemplate the issuance of debt securities he should be in position to know whether an amount of securities can be retired from the anticipated earnings which will at least be equal to the depreciation of the structure in order that the ratio of outstanding debt to depreciated property value shall not reasonably be less in the future than at the date of the plan. If the apparent value of securities proposed to be issued is greater or less than the claim of a group is entitled to receive the question of fairness may be raised. In its application, however, the question of fairness is much more likely to be a legal problem rather than a problem for the evaluator. He, of course, is unlikely to be heard as to his opinion unless he is placed on the witness stand and carefully led in the questions asked of him by counsel who understands thoroughly the method used and the effect of the various factors which result in the opinion of value.